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UNCLAS SECTION 01 OF 02 HANOI 000292

SIPDIS

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E.O. 12958: N/A

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SUBJECT: VIETNAM: AMBASSADOR'S CALL ON THE MINISTER OF
TRANSPORTATION

REF: A) 2004 HANOI 3092 B) HANOI 268

1. SUMMARY. On February 1, the Ambassador paid an introductory call on Minister of Transportation Dao Dinh Binh. Minister Binh explained the timeline for legislative reforms designed to bring the Civil Aviation Administration of Vietnam (CAAV) up to international safety oversight standards. The Ambassador and Minister Binh discussed opportunities for cooperation such as the maritime agreement and the U.S. Department of Energy's (DOE) Megaports Initiative. The Ambassador advocated on behalf of U.S. firms SSA Marine and FMC Technologies, and raised concerns about the TRICORE contract to build Hanoi's Third Ring Road. Minister Binh agreed to solicit the Prime Minister's opinion on the possibility of arranging a high level meeting to resolve the TRICORE dispute. Minister Binh sought the Ambassador's support in addressing Vietnam's high rate of traffic fatalities. END SUMMARY.

2. On February 1, the Ambassador, accompanied by Econoff, paid an introductory call on Minister of Transportation Dao Dinh Binh. The Ministry of Transportation (MOTr) is responsible for transportation infrastructure construction, civil aviation, maritime and ports. Within MOTr, CAAV is the lead agency for civil aviation negotiations. MOTr, or a subordinate agency, will also lead the Maritime Agreement talks.

Civil Aviation and Airport Development Projects

3. THE LAW ON CIVIL AVIATION. Minister Binh does not anticipate any scheduling problems for the Law on Civil Aviation resulting from the National Assembly's (NA) heavy workload of other economic reform legislation. MOTr plans to send the first draft to the Prime Minister in April 2005. The NA will provide the first round of feedback by November 2005 with final ratification set for the May 2006 NA session. The Ambassador encouraged Binh to focus on helping CAAV come into compliance with safety oversight standards set by the International Civil Aviation Organization (ICAO) to set the stage for Vietnam Airlines' flights to the United States. He pledged the Embassy's support to help CAAV to the extent possible. NOTE: A copy of this draft law was provided by CAAV to a team of private consultants, funded by the Boeing Corporation, who are assisting CAAV in creating a road map for achieving and sustaining ICAO standards. They will issue a report of their findings sometime in early February. END NOTE.

4. FMC TECHNOLOGY AWARD AT TAN SON NHAT AIRPORT. The GVN has embarked on an ambitious strategy of growth within the aviation sector both in services and infrastructure (Ref A). The Ambassador commended the Minister on this impressive plan and promoted the interests of a number of U.S. firms in a variety of these projects such as the expansion of Vietnam Airlines' fleet and the airport projects at Danang, Tan Son Nhat and Long Thanh. In particular, the Ambassador highlighted FMC Technology's (FMC) award from the Southern Airports Authority (SAA) to provide passenger-boarding equipment as part of the terminal expansion at HCMC's Tan Son Nhat airport. Although the initial contract specified that FMC equipment would be used, the Japanese consortium that won the primary contractor award has tried to shift from FMC to a Japanese supplier, but SAA has rejected this move and is adhering to the original contract. The Ambassador urged the Minister to support SAA's decision should the Japanese raise this issue with MOTr. Agreeing to look into the issue, the Minister assured the Ambassador that MOTr supports honoring agreements into which the GVN has entered. Binh noted that the Japanese have not approached MOTr on this issue to his knowledge.

MARITIME AGREEMENT AND PORT INFRASTRUCTURE PROJECTS

5. MARITIME AGREEMENT. Minister Binh expressed a great deal of enthusiasm for the visit of the negotiating team from the Maritime Administration (MARAD) in March. He is very hopeful that this agreement can be concluded before the

Prime Minister's proposed visit to the United States.

16. MEGAPORTS INITIATIVE. The Ambassador introduced the U.S. Department of Energy's (DOE) Megaports initiative, noting the DOE team's desire to visit Vietnam in March. According to Minister Binh, the GVN has not assigned a lead agency for coordinating this project, but if the Prime Minister designates MOTr it will work with DOE in a very close and cooperative manner.

17. SSA MARINE AND CAI LAN PORT PROJECT. The Ambassador advocated on behalf of SSA Marine, a U.S. firm interested in developing a port at Cai Lan, in northern Quang Ninh Province near Haiphong. He informed the Minister of the firm's desire to visit in March and requested that MOTr staff receive them and listen to their proposal. Binh welcomes the interest of U.S. investors in Vietnam's port facilities, and he noted that the NA's passage of the new Maritime Law scheduled for May 2005, "will open the door" for U.S. firms to invest in Vietnamese ports.

TRANSPORTATION ISSUES

18. TRICORE AND THE THIRD HANOI RING ROAD. Providing a brief readout on Tricore from his January 31 meeting with Deputy Prime Minister Dung (Ref B), the Ambassador stressed that the issue would not go away and should be addressed fairly. Furthermore, the Ambassador noted that this dispute might become a sticking point at some time during Vietnam's bid to join the WTO as well as a discouraging sign to potential investors. Binh initially told the Ambassador that he had nothing to add to DPM Dung's (negative) response. However, in response to the Ambassador's request to arrange a high-level meeting between MOTr, the Ministry of Planning and Investment and Tricore to try to resolve the dispute, Binh said that he would present the idea to the Prime Minister for decision. Binh acknowledged that Vietnam needs to resolve investment disputes as they arise to maintain an attractive investment climate.

19. TRAFFIC SAFETY. Minister Binh made a heartfelt request for the Ambassador's support in his efforts to reduce Vietnam's high rate of traffic fatalities. Voicing his support for former Ambassador Peterson's NGO-led, traffic safety initiative for Southeast Asia, the Ambassador pledged to redouble his and the Embassy's efforts to help promote traffic safety in Vietnam. NOTE: In 2004, according to MOTr statistics, there were 17,532 accidents resulting in 12,096 fatalities and 15,633 injuries. Vietnam has less than 15,000 miles of paved roadway. As Minister Binh noted, far more Vietnamese died in 2004 as a result of traffic accidents than of HIV/AIDS. END NOTE.

110. COMMENT. Minister Binh was very well briefed on the issues that were discussed. Several times during the meeting he reiterated that he welcomes U.S. investment in Vietnam's transportation sector as he realizes that increasing the amount of foreign investment to this sector is essential to support continued economic integration. His frank responses and willingness to discuss Tricore with the Prime Minister may indicate a desire to clear up this dispute so that MOTr can continue to interest U.S. investors in upcoming Build-Operate-Transfer (BOT) infrastructure projects. END COMMENT.

MARINE